

Issue Details

Op. Date	3 rd Apr – 2019
Closing Date	5 th Apr – 2019
Issue Price	Rs.877 – Rs.880
FV	Rs. 2 per eq. share
Listing at	NSE & BSE
BRLMs	JM Fin, CS, Goldman Sachs, HDFC Bank, Kotak Mahindra Capital Co. Ltd.

Minimum Retail Application

Number of Shares	17 shares
Issue Size (Rs. in Crs)	1204 Crs
Discount to Retails	NIL

Shareholding Pattern	Pre offer	Post Offer
Promoter	67.80%	55.30%
others	32.20	44.70%

Objective of the Issue

MHL expects that listing of the Equity Shares will enhance its visibility and brand image and provide liquidity to the Shareholders

Issue Size	Allocations	Eq. Share
QIB	75%	1 Cr
HNI	15%	20 lakhs
RIL	10%	13 lakhs
1Employess	2%	3 lakhs

Valuations	Lower Band	Higher Band
MCAP	4415 Crs	4418 Crs
EPS	22.02	22.02
BV	86.92	86.92
P/BV	10.09	10.12
p/e	39.83	39.93

Research Analyst

Foram Parekh

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Metropolis Ltd. - Subscribe

Company Background

Metropolis Healthcare Ltd (MHL) is one of the leading diagnostics companies in India, by revenue, as of March 31, 2018. It has widespread presence across 19 states in India, as of December 31, 2018, with leadership position in west and south India. Through its widespread operational network, it offers a comprehensive range of clinical laboratory tests and profiles, which are used for prediction, early detection, diagnostic screening, confirmation and/or monitoring of the disease. It also offers analytical and support services to clinical research organizations for their clinical research projects. During the nine-month period ended December 31, 2018, it conducted approximately 12.3 million tests from approximately 6.6 million patient visits as compared to approximately 16.0 million tests from approximately 7.7 million patient visits during the financial year 2018

Investment Rationale

One of the leading diagnostics companies in India.

Widespread operational network.

Comprehensive test menu with wide range of clinical laboratory tests and profiles.

Outlook &Valuation

Metropolis has shown strong financial performance in past supported by strong geographical expansions, better quality and service offerings. The increased health awareness, rise in per capita income and better penetration of diagnostic services in to tire -2 and tire -3 cities are driving the industry. Metropolis is fairly valued as compared to its peers at 40x FY18 PE and we believe this set of performance will continue hence we recommend SUBSCRIBE to the issue.

Particulars	FY16	FY17	FY18	9MFY19
Total Income	491	567	652	567
EBITDA	142	175	181	152
PAT	80	108	111	91
EPS	15.25	21.42	22.02	18.05
EBITDA M	28.9%	30.8%	27.8%	26.6%
PAT M	16.3%	18.9%	17%	16%

Source: RHP

Amt in Crs

Metropolis has widespread presence across 19 states in India, as of December 31, 2018.

Metropolis has leadership position in west and south India.

As of December 31, 2018, their operational network is spread across 197 cities in India.

Metropolis has 256 Owned PSCs (Public Service Commission) and 1,375 Third Party PSCs.

Metropolis offer a comprehensive range of approximately 3,487 clinical laboratory tests and 530 profiles to its patients.

Besides pathology tests, some of their centers also offer non-pathology tests such as ECG, X-ray, ultrasound and stress tests.

Investment Rationale

1. One of the leading diagnostics companies in India.

Metropolis is one of the leading diagnostics companies in India, by revenue, as of March 31, 2018 (Source: Frost & Sullivan). They have widespread presence across 19 states in India, as of December 31, 2018, with leadership position in west and south India (Source: Frost & Sullivan). As of December 31, 2018, the company has an operational network of 83 clinical laboratories, 1,473 patient touch points and 396 ARCs in west and south India. They are growing their presence in north and east India, and their clinical laboratories, patient touch points and ARCs have increased from 15, 25 and 59 as of March 31, 2016 to 22, 132 and 149, as of December 31, 2018, respectively. As of December 31, 2018, their operational network is spread across 197 cities in India. Their widespread presence provides a hedge against the risks associated with any particular geography while benefitting from the competitive advantages of each location.

2. Widespread operational network

Metropolis operations are supported by a laboratory network comprising of 115 clinical laboratories, including service network comprising of 1,631 patient touch points, including 256 Owned PSCs (Public Service Commission) and 1,375 Third Party PSCs, which service their individual patients; and approximately 9,000 pick-up points and 552 ARCs (Advance Research Center), which service their institutional customers, as of December 31, 2018. Metropolis 'hub and spoke' model, whereby specimens are collected across multiple locations within a region for delivery to their clinical laboratories for diagnostic testing, provides greater economies of scale and enhances consistency of their testing procedures.

3. Comprehensive test menu with wide range of clinical laboratory tests and profiles.

Metropolis offer a comprehensive range of approximately 3,487 clinical laboratory tests and 530 profiles to its patients, as of December 31, 2018. Their test menu includes pathology tests ranging from basic biochemistry and surgical pathology to cytogenetics and high-end molecular diagnostic tests. Besides pathology tests, some of their centers also offer non-pathology tests such as ECG, X-ray, ultrasound and stress tests. According to Frost & Sullivan, there has been a significant growth in demand of preventive health check-up in India, and to cater to this demand, the company has developed a wide range of wellness profiles for their diverse patient base. The Company also offer customized wellness packages to their institutional customers as per their requirement.

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